

Service Date: November 27, 1990

DEPARTMENT OF PUBLIC SERVICE REGULATION
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MONTANA

* * * * *

IN THE MATTER of the Application)	UTILITY DIVISION
of the Butte Water Company for)	
Authority to Increase Rates and)	DOCKET NO. 90.11.77
Charges for Water Service to its)	
Butte, Montana Customers.)	ORDER NO. 5518

INTERIM RATE ORDER

FINDINGS OF FACT

On November 15, 1990 Butte Water Company (Applicant or BWC) filed an application with the Montana Public Service Commission (Commission) for authority to increase water rates for its Butte, Montana customers on a permanent basis by approximately 28.9 percent, which constitutes an annual revenue increase of approximately \$1,129,716.

Concurrent with this filing for a permanent increase in rates BWC filed an application for an interim increase in rates of 28.9 percent, amounting to a revenue increase of approximately \$1,129,716 or 100 percent of the proposed permanent increase.

The Commission insists on a clear showing that the petitioning utility is suffering an obvious income deficiency before the Commission will authorize interim rate relief. Generally, the Commission would find that reference to the adjustments and rate of return approved in the most recent BWC general rate order would provide an

appropriate means to measure financial performance. For reasons explained in this order, the Commission will deviate from that standard of measuring financial performance.

The Commission issued its Adequacy of Service Order on December 21, 1988 in Docket No. 88.9.29, Order No. 5387, finding that BWC's facilities were inadequate and directing BWC to commence a capital improvement program. In Order No. 5387, Finding of Fact No. 49, the Commission stated the following:

In recognition of the capital improvements directed by this order and the limited financial resources of BWC the Commission makes the following observations:

- 1) In order to avoid regulatory delays, the Commission would entertain expedited proceedings to place newly constructed used and useful plant in the rate base...

In various public forums the Commission has stated that upon the filing of a rate increase request by BWC for recovery of costs associated with newly constructed used and useful capital improvements, it would issue an interim rate order. In an expedited proceeding pursuant to Order No. 5387, the Commission would authorize interim rate relief in the amount requested by BWC, provided that BWC's application requested an increase to recover only actual costs, adjusting out extraordinary items, and costs of the newly constructed capital improvements. The Commission has made this commitment with the caveat that BWC's request in an expedited proceeding would be subjected to intense scrutiny after issuance of the interim order. Also monies collected under the interim rate would be subject to rebate with interest, if the Commission determines the interim rate authorization was excessive.

Preliminary examination of the financial information submitted by BWC indicates that BWC has adjusted its revenues to the level authorized by this Commission in BWC's last rate increase application, Docket No. 88.9.29, Order No. 5382c, issued

February 21, 1990. At present rates and operating costs, BWC asserts that it is sustaining an operating loss of \$198,480. According to the present application for interim rate relief, BWC has placed in service \$2,215,247 in newly constructed capital improvements as of October 31, 1990 and has made necessary adjustments to its financial statements for appropriate capital cost recovery associated with the newly constructed improvements.

The Commission finds that the water utility is suffering an obvious income deficiency in this instance; that deferring rate relief until a final order can be issued may adversely affect the utility's financial condition; and, further, that under the Commission's current ratemaking standards the utility may be entitled to rate relief at the time a final order is issued.

The financial statements as adjusted by the Applicant appear to be consistent with the guidelines established by the Commission for authorizing interim rate relief in an expedited proceeding. Therefore, the Commission finds that the Applicant's request to increase rates on an interim basis by \$1,129,716 is reasonable.

In its application BWC requested that the Commission waive the requirement in rule 38.5.506 (2) (a), concerning the use of average rate base for interim rate purposes. The Commission finds it reasonable to waive this requirement of the administrative rules for this application.

The Applicant shall generate the increased annual revenue authorized in this order by increasing all rates and charges on a uniform percentage basis.

CONCLUSIONS OF LAW

Butte Water Company is a public utility furnishing water service to customers in the Butte, Montana area, and is subject to the supervision, regulation and control of this Commission pursuant to Section 69-3-102, MCA.

Section 69-3-304, MCA, provides in part that the Commission may in its discretion approve temporary increases pending a hearing or final decision.

The Commission concludes that the grant of an interim rate increase is just, reasonable and within the discretion granted by Section 69-3-304, MCA.

The increase granted herein is subject to rebate with interest at the last granted rate of return on equity should the final order in this Docket determine that a lesser increase is warranted. 69-3-304, MCA.

ORDER

THEREFORE THE MONTANA PUBLIC SERVICE COMMISSION ORDERS THAT:

Butte Water Company is hereby granted authority to implement, on an interim basis, increased rates for its Butte, Montana customers designed to generate additional annual revenues in the amount of \$1,129,716.

Butte Water Company is to file revised tariff schedules spreading the increased revenues as a uniform percentage increase to all services.

The interim relief granted in this Order is to be effective upon Commission approval of the revised tariff schedules.

DONE IN OPEN SESSION THIS 26th day of November, 1990, by a 5 to 0 vote.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION

HOWARD L. ELLIS, Chairman

DANNY OBERG, Vice Chairman

JOHN B. DRISCOLL, Commissioner

REX MANUEL, Commissioner

WALLACE W. "WALLY" MERCER, Commissioner

ATTEST:

Ann Peck
Commission Secretary

(SEAL)

NOTE: You may be entitled to judicial review in this matter.
Judicial review may be obtained by filing a petition for review within thirty (30)
days of the service of this order. Section 2-4-702, MCA.